

CHAPTER 4

PROCUREMENT

As a senior petty officer, you will have increasing responsibilities in the areas of selection, inventory planning, and procurement of ship's store stock. Ship's store stock includes all articles intended for resale in the ship's store, consumable materials intended for use in related service activities, and minor equipment and parts not included in allowance lists for related service activities. In addition to ship's store stock, you may assist in the procurement of major equipment, equipment repair services, and other supply department materials.

AUTHORIZED MERCHANDISE

Before you can decide what merchandise to stock, you must be aware of what items you are allowed to carry. Because of the varying restrictions on different types of merchandise, determining whether an item is authorized can be somewhat confusing. Basically, however, merchandise can be divided into four categories, each of which will be discussed below.

- U.S. merchandise for stock
- U.S. merchandise for special order
- Foreign merchandise for stock
- Foreign merchandise for special order

U.S. MERCHANDISE FOR STOCK

In your procurement of ship's store stock, you will probably order more U.S. merchandise than any other type of stock. Although U.S. merchandise is the broadest category of available stock, you must still determine which items have been authorized for the ship's store. Fortunately, there are resources you can use as guidelines.

One of the most important tools you will use is the basic list of authorized items contained in

the NAVSUP P-487 (*Ship's Store Afloat*). This list is designed to help you provide your ship with the necessary health, comfort, or convenience items to be used by shipboard personnel in their day-to-day lives. The items are listed alphabetically within categories. You should notice that a unit cost limitation has been established on various luxury items.

The *Ship's Store Afloat Catalog* (SSAC), published by the Navy Resale and Services Support Office (NAVRESSO), is an important resource you can use for determining what items of stock you should carry. You may procure for stock any item in the SSAC that is not designated for special order only even though the item may exceed the unit cost limitation or may not be on the authorized stock list at all.

An additional procurement aid is the *Ship's Store Contract Bulletin*. You may procure for stock any items included in this bulletin, but which were not included in the basic list of authorized items (NAVSUP P-487), from any of the sources listed. Basically, any item of U.S. merchandise that you wish to carry in stock must be contained on the authorized stock list within the unit cost limitation or must be procured either from the SSAC or from the *Contract Bulletin*.

U.S. MERCHANDISE FOR SPECIAL ORDER

A special order is when you place an order for an authorized patron upon the patron's request. Immediately upon receipt, the item should be sold to the patron and should not be carried in stock. Among the procedures for placing special orders, there are some optional measures you should consider. For example, your commanding officer may direct the ship's store officer to collect for special orders before you place the purchase order. Another step you can take is to ensure that the individual who is placing the order is not detaching before the expected receipt of the merchandise.

You should always make certain that the typed certification for any special order includes the individual's name, grade or rate, division, transfer date, and enlistment expiration date. If prepayment was required, the certificate should also include the amount of payment that was received.

The list of authorized items in NAVSUP P-487 also applies to U.S. merchandise for special order. Of course, any items that are not covered in your SSAC must be submitted to NAVRESSO for approval. In addition, you should observe that some of the items listed in the SSAC are for special order only. You should not order these items for stock.

On the other hand, there are certain items that your shipboard personnel may need that you can acquire only by special order. For example, you may need to procure unusual sizes of standard Navy clothing items. Because these items are not listed in the *Afloat Shopping Guide* (ASG), you must procure them by special order only. You should remember that any special order you place for unusual sizes of standard Navy clothing must be for individuals only and not for stock. Other examples of merchandise that you must procure on a special order basis only are the gold rating badges and service stripes for chief petty officers and other enlisted personnel below the E-7 level who are entitled to wear these items.

FOREIGN MERCHANDISE FOR STOCK

You may stock foreign merchandise for resale during your ship's deployment overseas, but you will be limited to merchandise that is locally available in the area of your ship's operation. Regulations that have been established by the appropriate commands will also govern your procurement of foreign merchandise for stock. Ships can procure authorized foreign merchandise through two programs: the Sixth Fleet Foreign Merchandise Program and the Pacific Fleet Foreign Merchandise Program. Foreign merchandise warehouses have been established at Navy exchanges in Rota, Spain, and Naples, Italy, for the Sixth Fleet Foreign Merchandise Program and in Yokosuka, Japan, and Subic Bay, Republic of the Philippines, for the Pacific Fleet Foreign Merchandise Program. Both programs exist to support the ships that are deployed in the Mediterranean and the Western Pacific with a range of fast-selling foreign merchandise items that have been authorized for stock in ship's stores. However, there are also certain items such as

furs, autos, and wines that are prohibited for stock or for special order purchases. Items listed in overseas contract bulletins are basically authorized for stock unless these items have been designated for special order only. You should remember that fleet, force, and type commanders may prescribe additional instructions and/or limitations that are applicable to the ordering and receiving of authorized stock in their areas of jurisdiction. It is important that you thoroughly read and understand these instructions before you make any attempt to procure foreign merchandise for your ship. Authorized items of foreign merchandise that you procure in the area of your ship's operation must be received, stocked, and sold in that area; you cannot handle these items outside the designated area. Ships that are deployed to areas outside of the European or Far Eastern areas may procure foreign merchandise that is available locally in the port of call. However, merchandise that originates from sources within communist-controlled areas cannot be procured.

Another consideration in the procurement of foreign merchandise is that you must be able to dispose of all of it before your ship returns to the United States. Therefore, the handling of foreign merchandise may create difficult problems and losses of profit without your proper attention and supervision. To avoid being stuck with an excess of unsalable foreign merchandise at the end of a tour, you should follow the procurement steps listed below.

- Consult and use the NAVRESSO bulletins which contain a listing of the best quality foreign merchandise at the lowest prices and follow the procedures prescribed by fleet, force, and type commanders.

- Estimate carefully the potential sales for the period your ship expects to operate in the area. Base your estimation on previous deployments and from your canvassing of the crew. Remember, when your ship is operating in the area for a period of more than 90 days, the inventory of foreign merchandise must not exceed your 90 days' estimated sales.

- Obtain merchandise early to ensure the greatest length of time for sales. When your ship is to remain in the area for 90 days or less, procurement must not exceed the estimated sales for the remaining 60 days. You should not procure merchandise that will arrive on board 30 days or

less before the departure of your ship from the area. Finally, if your ship is operating in an area for less than 30 days, you should procure foreign merchandise by special order only.

If you provide the necessary time and attention to these procurement precautions, you should not be faced with the problem of excess foreign merchandise at the end of your ship's tour. If, for some reason, you should ever find yourself stuck with unmarketable foreign merchandise, you must follow the appropriate disposal procedures. These procedures are discussed in chapter 5 of this rate training manual.

FOREIGN MERCHANDISE FOR SPECIAL ORDERS

With the exception of forward deployed ships (ships homeported overseas excluding Hawaii), no special orders of foreign merchandise should be made through the ship's store. You should refer customers to the *Exchange Catalog for the Military Services* or suggest they make direct purchases over the counter through the military exchange that is serving the area. In addition, concessionaire contract agreements may be used in areas where these agreements have been approved by fleet, force, and type commanders.

You should also make your customers aware of the Exchange Catalog Mail Order Program by which your ship can receive rebates. The rebates are based on a proportion of mail order sales generated by your ship in relationship to total sales as reported by the Army and Air Force Exchange Service (AAFES). Rebate checks are distributed to various ships by NAVRESSO on a triennial basis during the months of April, August, and December. The rebate check for your ship will go directly to Ship's Store Profits, Navy, as a contribution. You can find details on how to acquire rebates for your ship in NAVSUP P-487.

LIMITATIONS

In addition to the various limitations already mentioned, NAVSUP P-487 prescribes further qualitative and quantitative limits on specific types of items. Examples of some of these restrictions are discussed below.

Qualitative Limits

You are restricted by particular qualitative limits in your procurement of certain items, such

as sunglasses, food, books, records, magazines, and beer. For example, you may not procure sunglasses that might have harmful optical properties. Also, the sunglasses you stock must have frames made of slow-burning plastic or metal. As for food items, you cannot sell any food in the form of short orders. In the procurement of magazines and records for the ship's store, you are limited to materials that are not considered to be obnoxious or offensive. You can find guidelines for judging the acceptability of materials such as magazines, books, and records in NAVSUP P-487. As for your limitations on the procurement of beer, you may procure beer for recreational purposes, but you may not stock beer for resale to the crew through the ship's store.

Quantitative Limits

You must observe certain quantitative limits on a variety of authorized items that bear your ship's identification, such as cigarette lighters, cups, and stationery. You should limit your stocks of these items to 90 days' anticipated sales. If necessary, however, your initial orders may reasonably exceed this quantity if you are trying to meet a vendor's minimum order stipulation. You must limit your stocks of all other items bearing your ship's identification to quantities that do not exceed 25 percent of your ship's total complement unless you obtain NAVRESSO approval before you begin any type of procurement action.

You may not order tax-free tobacco products in excess of your anticipated sales in the ship's store while your ship is beyond the 3-mile limit of the United States. The procedures you should follow in handling tax-free tobacco products are discussed in chapter 6 of this manual.

There are other limitations you must observe when you are procuring stock for your ship's store. As mentioned before, authorized ship's store stock includes any item of stock that is listed on any of the authorized stock lists. Items that are not authorized for ship's store stock will generally fall within two categories: (1) items that are not listed on authorized stock lists and (2) items for which procurement is strictly prohibited.

Unlisted Items

In procuring ship's store stock, you can request items that are not on the authorized stock lists as long as these items are not prohibited. You should submit your requisitions to the Navy Resale and Services Support Office (NAVRESSO).

Consult NAVSUP P-487 for the details you should include in these requests. You should remember that the restrictions that have been imposed on you are not intended to stifle your initiative. If you submit a request properly, you will normally receive approval from NAVRESSO.

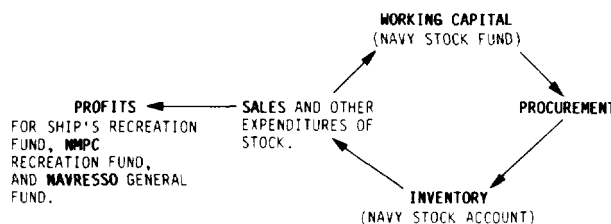
Prohibited Items

You are strictly prohibited from procuring certain merchandise for your ship's store. For example, any items that bear the impression of U.S. currency are prohibited merchandise. You cannot procure these items for your ship's store. You are also prohibited from procuring special occupational and environmental clothing and textile (cog symbol 9D) items unless you have received written authorization from the Commander, Naval Supply Systems Command. In addition, you are especially prohibited from purchasing or selling through your ship's store any medical items such as drugs, remedies, vitamins, or other similar products for the external or internal treatment of diseases or conditions.

STOCK CONTROL

The ability of your ship's store to support the needs of your ship will largely depend upon how well you, as a senior Ship's Serviceman, handle the responsibilities of stock control. To develop and maintain effective stock control, you should review your inventory control records and make your scheduled monthly review of all stock and stock records. These reviews provide fundamental knowledge with which all responsible ship's store personnel must be familiar in order to develop and maintain effective stock control. Your efforts in stock control are important because your ship's store does not have an unlimited amount of money to invest in stock. Carrying excess stock will cause you to waste valuable storeroom space that might be used for other materials. Frequently, this type of waste results in a decrease in sales. On the other hand, if an adequate supply of material is not in stock, a decrease in sales will also occur. There is an optimum stock level you should achieve that will minimize the loss of sales that would result from these problems. Maintenance of an optimum stock level is the primary purpose for your scheduled monthly review of the inventory control records and the stock record cards.

To appreciate the importance of effective stock control, you must first understand how the flow of money and materials in the Navy resale system affects your ship's store afloat. The following diagram represents the system.



The cycle begins with WORKING CAPITAL (Navy Stock Fund [NSF] money) which is used to procure your ship's store stock. PROCUREMENT of ship's store stock determines the amount of INVENTORY. SALES of ship's store stock then replenish your WORKING CAPITAL. In addition to replenishing your WORKING CAPITAL for the cost value of the items sold, SALES also generate your PROFITS. Your PROFITS are determined by the markup over cost that was applied to the various items sold in the ship's store.

As a ship's store manager, you will use as your optimum stock level an anticipated 90 days' supply of stock. If you exceed this amount, you are tying up too much Navy Stock Fund money in your ship's store inventories, for only so much NSF money is allocated on a Navy-wide basis for inventories. On the other hand, your failure to maintain sufficient stocks on board will ultimately result in decreased sales.

A sales-stock ratio is computed to determine your efficiency in maintaining your optimum stock level over a given period of time. As stated in the NAVSUP P-487, you should maintain a 1.33 to 1 ratio of sales at cost price to your beginning inventory (less standard clothing items) per each 4-month accounting period. In other words, a W-day supply of stock should "turn over" 1 1/3 times in a 120-day (or 4-month) accounting period. You can obtain your stock figure by dividing your cumulative expenditures for the number of months covered by the beginning inventory. You will read more about the actual calculation of your computation of your stock turn figure later in chapter 7. For now, however, the following example of various sales

stock ratios may help you to understand exactly how stock turn ratios work.

<u>CUMULATIVE EXPENDITURES</u>	<u>BEGINNING INVENTORY</u>	<u>STOCK TURN</u>
\$8,000	\$6,000	1.33
7,400	6,200	1.19
16,000	10,400	1.54

Now, take another look at the resale cycle diagram. You should remember that the optimum stock level (INVENTORY) is defined as a 90-day supply of stock and that the rate at which this stock level (INVENTORY) should be turned over by SALES is defined as a ratio of 1.33 to 1. If a ratio of 1.33 or above is maintained, then sufficient WORKING CAPITAL should be available to you to initiate additional PROCUREMENT. In ship's store management, the inventory control record is the tool you should always use to maintain a running check on the amount of WORKING CAPITAL that is available to you.

AUTHORIZED INVENTORY AND INCREASES

Your initial authorized inventory represents your ship's allowance. Your allowance is based on the number of officers and enlisted personnel currently on board including embarked staffs, embarked air groups, Marine Corps detachments, passengers, or the highest onboard personnel count, whichever is greater. Generally, the monetary limitation for a ship's store stock is based on \$18 per person per month and allows for a maximum of approximately 3 months' stock. Service ships, such as ASS, ADs, and ARs, are authorized an additional \$10 per person per month to support customers from the ships for which the service ships are providing support. You should keep in mind that you can obtain authorized increases of your ship's store stock if your ship is being deployed to overseas areas. Your ship will be authorized an additional \$18 per person per month up to an amount that will not exceed your overall stockage objective for the length of time your ship is going to be deployed.

Foreign merchandise from fleet support warehouses is an authorized addition to your inventory. To ensure proper stock control, you should carefully monitor any foreign merchandise you acquire during your ship's deployment.

You should consider the total dollar value of canned sodas as a separate authorized increase to your inventory limitations whether your ship is deployed or whether it is operating in the continental United States (CONUS). Whenever your inventory limitation is increased for deployment, you should send a letter to NAVRESSO, with a copy to the type commander, containing the following information.

1. The monetary value of the increase
2. The reason for the increase
3. The period of time in which the increase is taken
4. The current number of personnel on board your ship

Your total authorized inventory will be a combination of the original authorized inventory (which is \$54 times the current number of personnel on board) plus the canned sodas inventory. When your ship is deploying, you should include in your total inventory your ship's foreign merchandise inventory and an additional \$18 per person per month times the months of the ship's scheduled deployment.

INVENTORY CONTROL RECORDS

An inventory control record is a management tool designed to help you make certain that your ship's store meets the following objectives:

1. A stock turn of 1.33 for each accounting period
2. A total inventory of ship's store and standard Navy clothing stock that does not exceed the authorized limits

There are two inventory control records you must use for the ship's store: (1) Inventory Control Record for Ship's Store Stock and (2) Inventory Control Record for Standard Navy Clothing Stock. Although you are normally required to maintain a separate inventory control record for standard Navy clothing, you can include standard Navy clothing on the Inventory Control Record for Ship's Store Stock whenever you sell standard Navy clothing through the same cash register used for ship's store stock or when your inventory balance for standard Navy clothing is less than \$300 and sales for standard Navy clothing are also less than \$300 per month. In the case of both inventory control records, you should round off all money values to the nearest dollar.

Instructions and information for maintaining both records are provided below. You should refer to figures 4-1 and 4-2 as you read this information. Study the information carefully and make certain you understand the procedures that are required

for both records. You, as a senior Ship's Serviceman, must be able to prepare and maintain both inventory control records for your ship's store. Even if these records are normally maintained by the ship's store officer, you should

INVENTORY CONTROL RECORD				
	Month 1	Month 2	Month 3	Month 4
A. Authorized Inventory (\$54 X #450 of personnel)	24,300	24,300	24,300	24,300
B. Authorized Increases				
(1) For deployment: (\$18 X # of personnel X number of months remaining in deployment)	32,400	24,300	16,200	8,100
(2) \$ value of foreign merchandise	18,600	16,100	1,800	0
(3) \$ value of can drinks				
(4) For support ships: (\$10 X # of personnel on ships supported)	4,800	4,800	4,800	4,800
C. Total Authorized Inventory (A + B)	0	0	0	0
D. Beginning Inventory	80,100	69,500	47,100	37,200
E. Receipts	41,352	35,897	33,649	30,168
F. Surveys to NSF and Issues to Ship's Use	13,078	14,477	12,373	13,168
G. Other Expenditures	0	0	0	0
H. Balance Inventory (D + E - F - G)	18,533	16,725	15,854	11,020
I. Over/Under Inventory (C - H)	35,897	33,649	30,168	33,013
J. Outstanding Orders	44,203	35,851	16,932	4,187
K. Monies Available for New Stock (I - J)	21,978	17,743	10,726	1,973
	22,225	18,108	6,206	2,214

LAST MONTH OF ACCOUNTING PERIOD, ENTER ACTUAL INVENTORY AT COST.

Stock Turn				
	Month 1	Month 2	Month 3	Month 4
	.45	.85	1.24	1.50
GOAL	.33	.67	1.00	1.33

Cumulative of Expenditures (except for Surveys to the Navy Stock Fund and Issues to Ship's Use) divided by Beginning Inventory for the accounting period equals stock turn. Formula: Total of line G for each month divided by line D for month 1.

Prepared by: _____

Ship's Store Officer: CH CH CH CH
 SPZ SPZ SPZ SPZ
 Month 1 Month 2 Month 3 Month 4

Figure 4-1.—Inventory control record for ship's store stock.

INVENTORY CONTROL RECORD

	Month 1	Month 2	Month 3	Month 4
A. Authorized Inventory	14,000	14,000	14,000	14,000
B. Authorized Increases	0	0	0	0
C. Total Authorized Inventory (A + B)	14,000	14,000	14,000	14,000
D. Beginning Inventory	10,500	10,216	9,507	10,155
E. Receipts	3,500	3,025	3,868	2,110
F. Surveys to NSF and Issues to Ship's Use	0	0	0	60
G. Other Expenditures	3,784	3,734	3,220	3,128
H. Balance Inventory (D + E - F - G)	10,216	9,507	10,155	9,180
I. Over/Under Inventory (C - H)	3,784	4,493	3,845	4,820
J. Outstanding Orders	2,654	2,895	2,078	2,010
K. Monies Available for New Stock (I - J)	1,130	1,598	1,767	2,810

LAST MONTH OF
ACCOUNTING PERIOD,
ENTER ACTUAL
INVENTORY AT COST.

Stock Turn

	Month 1	Month 2	Month 3	Month 4
	<u>.36</u>	<u>.72</u>	<u>1.02</u>	<u>1.32</u>
GOAL	.33	.67	1.00	1.33

Cumulative of Expenditures (except for Surveys to the Navy Stock Fund and Issues to Ship's Use) divided by Beginning Inventory for the accounting period equals stock turn. Formula: Total of line G for each month divided by line D for month 1.

Prepared by: CH CH CH CH
 Ship's Store Officer: OK OK OK OK
 Month 1 Month 2 Month 3 Month 4

Figure 4-2.—Inventory control record for standard Navy clothing.

still familiarize yourself with the required procedures and entries.

Inventory Control for Ship's Store Stock

The basis of the Inventory Control Record for Ship's Store Stock is your estimate of the next 90 days' cumulative expenditures. By subtracting the approximate onboard inventory and outstanding orders from your cumulative expenditures, you can determine at any given time the amount of working capital that is available to you for buying. Generally, you should maintain this record on a monthly basis. You should always make certain, however, that the record is updated before you initiate any procurement action. The procedures for maintaining the Inventory Control Record for Ship's Store Stock are discussed below. Refer to figure 4-1 while you review these procedures. Instructions for entries are discussed for each line and caption.

<u>Line and Caption</u>	<u>Instructions for Entries</u>
Date	Enter the period of time covered.
A. Authorized Inventory	Enter the value of the number of personnel times \$54. (The same amount will be used for each month of the accounting period.)
B. Authorized Increases	<p>For deployed ships:</p> <ol style="list-style-type: none"> 1. Enter the value of the number of personnel times \$18 times the number of months remaining in the deployment. 2. Enter the dollar value of foreign merchandise stock on hand from NEX fleet support warehouses. 3. Enter the dollar value of canned drink stock for a 90-day sales period. <p>For service-type ships:</p> <ol style="list-style-type: none"> 4. Enter the value of the total number of additional

<u>Line and Caption</u>	<u>Instructions for Entries</u>
B. Authorized Increases—Continued	personnel on the ships that are supported by the service ship times \$10.
C. Total Authorized Inventory	Enter the total of line A plus line B.
D. Beginning Inventory	<p>For the first month of each accounting period: Enter the actual physical inventory at cost price.</p> <p>For the other months of the accounting period: Enter the value of the balance inventory (line H) from the previous month.</p>
E. Receipts	Enter the value of all receipts of ship's store stock for the month as taken from the Journal of Receipts, NAVSUP 977.
F. Surveys to NSF and Issues to Ship's Use	Enter the value of all surveys to the Navy Stock Fund and issues to ship's use.
G. Other Expenditures	<p>Enter the grand total of all of the following items:</p> <ol style="list-style-type: none"> 1. The value of all other expenditures (except those included in line F) as taken from the Journal of Expenditures, NAVSUP 978, 2. The value of cost of operations issues as taken from the Ship's Store Afloat Financial Control Record, NAVSUP 235. 3. The value of drink vending machine sales as taken from Cost of Sales, line R, on the Vending Machine Control, NAVSUP 236. 4. The cost of all other retail sales, including sales from retail stores and snack bar sales (other than those

<u>Line and Caption</u>	<u>Instructions for Entries</u>	<u>Line and Caption</u>	<u>Instructions for Entries</u>				
G. Other Expenditures—Continued	<p>from drink vending machines). Compute the value of all other retail sales by using this formula:</p> <p>Total value of all other retail sales as taken from from the Cash from Retail Sales on the Memorandum Cash Sales Invoice times 87% equals the estimated cost of retail sales.</p> <p>(Specific examples are included in your NAVSUP P-487.)</p> <p><u>You should note that this formula is based on a standard markup over cost of 15% for a ship's store.</u> The estimated cost of an item will equal the retail price of the item times 87%. For example:</p> <table><tr><td>Actual cost of item times 15% markup equals the retail price of the item.</td><td>$\\$100.00 \times 15\%$ \$115.00</td></tr><tr><td>Retail price of item times 87% equals the estimated cost price.</td><td>$\\$115.00 \times 87\%$ \$100.05</td></tr></table>	Actual cost of item times 15% markup equals the retail price of the item.	$\$100.00 \times 15\%$ \$115.00	Retail price of item times 87% equals the estimated cost price.	$\$115.00 \times 87\%$ \$100.05	I. Over/Under Inventory	Enter the total value of the total authorized inventory minus the balance inventory (line C minus line H). This amount indicates whether or not your ship's store stock is over or under authorized inventory levels.
Actual cost of item times 15% markup equals the retail price of the item.	$\$100.00 \times 15\%$ \$115.00						
Retail price of item times 87% equals the estimated cost price.	$\$115.00 \times 87\%$ \$100.05						
		J. Outstanding Orders	Enter the total value of all outstanding orders for ship's store stock, as taken from the Outstanding Purchase Order File (SSA-11A) and Outstanding Requisition File (SSA-12).				
			<u>At no time should the balance inventory plus the outstanding orders exceed the total authorized inventory.</u>				
		K. Monies Available for New Stock	Enter the amount over/under inventory minus the outstanding orders (line I minus line J). This amount represents the money available to you to buy new ship's store stock.				
		Stock Turn	The cumulative value of other expenditures (<u>excluding surveys to the Navy Stock Fund and issues to ship's use</u>) divided by the beginning inventory for the accounting period equals stock turn.				
H. Balance Inventory	<p>For the first 3 months of the accounting period:</p> <p>Enter the value of the beginning inventory at cost price plus receipts minus expenditures (line D plus line E minus line F minus line G).</p> <p>For the last month of the accounting period:</p> <p>Enter the actual physical inventory at cost price.</p>		<p>Note that the following formula must be used for the computation of stock turn:</p> <p>Add the amounts recorded on line G for each month divided by line D for the first month equals stock turn.</p>				
		Inventory Control Record for Standard Navy Clothing Stock					
		As mentioned earlier, standard Navy clothing stock in the ship's store normally requires a					

separate inventory control record. Procedures for line and caption entries are described below. You should refer to figure 4-2 as you read the instructions below.

<u>Line and Caption</u>	<u>Instructions for Entries</u>
Date	Enter period of time covered.
A. Authorized Inventory	Enter the value of the sales for the previous fiscal year times 25%.
B. Authorized Increases	Enter the amount necessary for the number of months remaining in the deployment.
C. Total Authorized Inventory	Enter the total of line A plus line B.
D. Beginning Inventory	For the first month of each accounting period: Enter the actual physical inventory at standard price. For the other months of the accounting period: Enter the value of the balance inventory (line H) from the previous month.
E. Receipts	Enter the value of all receipts of standard Navy clothing for the month, as taken from the Journal of Receipts, NAVSUP 977.
F. Surveys to NSF and Issues to Ship's Use	Enter the value of all surveys to the Navy Stock Fund and issues to ship's use.
G. Other Expenditures	Enter the value of Cash from Standard Navy Clothing Sales from your Memorandum Cash Sales Invoice Deposit of Cash with the Disbursing Officer, DD 1149.

Line and Caption

H. Balance Inventory

I. Over/Under Inventory

J. Outstanding Orders

K. Monies Available for New Stock

Stock Turn

Instructions for Entries

For the first 3 months of the accounting period:

Enter the value of the beginning inventory at standard price plus receipts minus expenditures (line D plus line E minus line F minus line G).

For the last month of the accounting period:

Enter the actual physical inventory at standard price.

Enter the total value of the total authorized inventory minus the balance inventory (line C minus line H).

This amount indicates whether or not standard Navy clothing is over or under your authorized inventory levels.

Enter the total value of all outstanding orders for standard Navy clothing, as taken from the Outstanding Requisition File (SSA-12).

At no time should the balance inventory plus the outstanding orders exceed your total authorized inventory.

Enter the amount over/under inventory minus outstanding orders (line I minus line J). This amount represents the money available to you to buy new standard Navy clothing stock.

The cumulative value of other expenditures (excluding surveys to the Navy Stock Fund and issues to ship's use) divided by the

<u>Line and Caption</u>	<u>Instructions for Entries</u>
Stock Turn— Continue	beginning inventory for the accounting period equals stock turn. The following formula must be used: Add the amounts on line G for each month divided by the beginning inventory for the accounting period equals stock turn.

In summary, the inventory control records can provide only a calculated approximation. The records can, however, help you to keep your ship's store inventory values within the prescribed, authorized 90-day limits.

STOCK RECORD REVIEW AND MAINTENANCE

Stock record review is the second stock control tool that is available to you as a ship's store manager. While you will use the inventory control records to ascertain the amount of working capital that is available to you at any one time, you will also use the Stock Record (NAVSUP Form 464) to acquire the sales history and ordering information you will need for procuring individual stock items. You must review your stock record cards at least once a month to determine what specific merchandise items you should procure. For most items, your maximum stock position should be 90 days' stock. You should stock enough deployed load items so that they will be available for the duration of your ship's deployment. If you discover that excesses exist in certain areas, you should dispose of the excess stock as soon as you can. The various methods you can use to dispose of excess stock will be discussed later in chapter 5.

By properly maintaining a Stock Record (NAVSUP 464) for every item of ship's store stock, you, as the ship's store manager, should be able to answer the following questions about any particular stock item.

- What are the average 4 months' sales?
- What quantities were ordered previously?
- What is the usual source of supply?
- What are the current cost and retail prices?

- Is there any trend in the sales pattern?
- Assuming normal sales, what is the approximate stock situation?

Since the stock record cards are so important, you must maintain them accurately and neatly. The proper maintenance of stock record cards is discussed in *Ship's Serviceman 3 & 2*, module 2. There are two types of errors for which you, as a supervisor (or auditor), should be on the alert: mechanical and procedural. As you read about these errors, you should refer to figure 4-3.

Mechanical Errors

A mechanical error results when facts and values have not been properly recorded. In your continual review of your stock record cards, you may be able to correct most mechanical errors by asking yourself these questions.

- The low limit: Is it recorded? Is it realistic?
- The cost price and the selling price: Do they exist where applicable? (There are no selling prices for cost items.) Is the cost price rounded to the nearest cent?
- Unit of issue: Is it recorded? Do cost and selling prices agree with the unit of issue?
- Functional account and department: Is the correct information recorded?
- Description: Is it complete? Does it include the stock number (when required), the size, and the noun name? (For example, tax-free cigarettes; large, economy, or giant toothpaste.)
- Arithmetic: Have computations been made accurately? Have retail sales been properly computed?
- Format: Have lines been skipped unnecessarily? Are the correct columns being used?

Procedural Errors

Procedural errors are usually the result of bad planning and faulty judgment. You can avoid many procedural errors by carefully analyzing the information on your stock record cards. You

ARE CORRECT COLUMNS BEING USED?

HAVE COMPUTATIONS BEEN MADE ACCURATELY?

IS SALES FIGURE FORCED AT END OF ACCOUNTING PERIOD?

IS RETAIL PRICE ESTABLISHED BY SUPPLY OFFICER?

DO COST AND SELLING PRICES AGREE WITH UNIT OF ISSUE?

THIS BLOCK NOT USED.

IS IT COMPLETE?

IS IT REALISTIC?

IS LAST RECEIPT PRICE ROUNDED OFF TO THE NEAREST CENT?

DATE		VOUCHER NO.	REC. FROM	EXPEND. TO	RECEIVED	EXPENDED	BALANCE IN BULK ROOM OR WAREHOUSE	TOTAL BALANCE	DATE		VO	REC. FROM	EXPEND. TO	RECEIVED	EXPENDED	BALANCE IN BULK ROOM OR WAREHOUSE	TOTAL BALANCE
MO.	DA.								MO.	DA.							
11	1	INV	B.F.				720	836									
11	1	#1	SS#1			144	576										
11	7	#7	SS#1			288	288										
12	16	9775	S+K Sales	1440			1728	2276									
12	20	#13	SS#1			144	1584										
12	23	#19	SS#1			288	1296										
1	16	#24	SS#1			288	1008										
1	31	RETAIL SALES			968												
2	1	INV	B.F.	BULK	1008	1008											
2	1	INV	B.F.	SS#1	300												
2	1	INV	B.F.	TOTAL	1308		1308										
ACCOUNT		UNIT OF MEASURE		DEPARTMENT		LOW LIMIT		COST PRICE		SELLING PRICE		ORDERED		CARD NO.			
51000		EA		RETAIL		432/1728		.20		.25							
ARTICLE		STOCK NO.		ORDERED		CARD NO.											
SOAP COAST TOILET REGULAR																	
NAVSUP 46		/53) S/N 0108-LF-501-1100															

Figure 4-3.—Auditing the Stock Record.

42.25

should carefully consider the following possibilities.

- Are orders being placed too frequently and for quantities that are too small? Have unnecessary orders been placed?
- Is the store out of any item of stock?
- Is there too much stock of any individual item on hand?
- Are there too many competing items?
- Are there any unauthorized items on board?
- Is the markup too high to effect stock movement?
- Are seasonal item considerations wisely made and used?
- Are the stock record cards filed alphabetically by category?

In summary, you, as a ship's store manager, must skillfully use the inventory control records

and the monthly stock record review if you are going to maintain effective stock control of all your ship's store merchandise and supplies. Remember, the goals of stock control are to maintain an optimum stock level of 90 days' supply and to achieve a sales-stock ratio of 1.33 to 1. You should consult your NAVSUP P-487 and NAVRESSO P-81 for authorized stock items and their recommended quantities.

STOCKING THE SHIP'S STORE

When it comes to actually selecting merchandise for stock, you must consider several factors so you can provide your customers with a satisfactory selection.

CREW PREFERENCE

As a senior Ship's Serviceman, you should always be alert to the preferences of your crew members. You should frequently question the ship's store operator as to the over-the-counter comments of crew members concerning the ship's store merchandise. But, you should also informally or formally (by means of a questionnaire) seek the opinion of individual crew members.

TECHNICAL ASSISTANCE

In addition to the preferences and responses of your customers, you also have a considerable amount of technical assistance available to you for the selection of your ship's store merchandise.

NAVRESSO Publication No. 81

You should use this publication to supplement the information in your NAVSUP P-487. Items in NAVRESSO Publication No. 81 are based upon consumption factors per person per month, which were derived from an analysis of actual sales for an 8-month period (deployed and in port) in ship's stores. (These data were received from various hull types which include both Atlantic and Pacific Fleet ships.) Consumption data for NAVRESSO P-81 will be collected periodically and the results of future analyses will be shown in terms of support for 90 days for various complements. Multiples of quantities shown should be used to arrive at the quantities to be stocked for your individual ship.

Your NAVRESSO Publication No. 81 also contains the following information.

- Denotes inventory limitations
- Discusses the five Rs of retail merchandising
- Lists do's and don'ts of sales and sales promotion
- Provides popularity percentages for broad categories of items, such as candy and shaving cream
- Recommends stocking plans for ship's stores afloat (90-day stock)

As mentioned before, the maximum dollar value of ship's store stock that you carry on your ship should not exceed 54 times your current officer and enlisted allowance, including embarked staffs, embarked air groups, Marine Corps detachments, and passengers, or the highest onboard personnel count, whichever is greater. This calculation will allow for a 90-day supply of stock. Remember, there are items that are called "never-out" items and should be maintained in stock at all times. These items are identified in your NAVRESSO P-81. Pay close attention to your never-out list and the recommendations in NAVRESSO P-81, and make all changes as needed. In fact, your development and maintenance of a basic stock list will provide you with an essential management tool you can use to promote an effective ship's store.

Many of the luxury and semiluxury types of items (watches, jewelry, and so forth) are listed in your *Ship's Store Afloat Catalog* (SSAC). The buying guides contained in your SSAC will specify types, brands, colors, or other details you must have to complete an order. Your SSAC is constantly being updated with new styles and types of items to make it easier for you to keep your store updated.

Consolidated Afloat Requisitioning Guide Overseas (CARGO)

Whenever your ship is deployed, you must use your *Consolidated Afloat Requisitioning Guide Overseas* (CARGO) to requisition standard laundry chemicals and standard Navy clothing stock. You will find that the national stock numbers are listed in chapter 2 of the CARGO.

The CARGO also carries a list of ship's store items that are of high use on ship's store afloat stocking plans. When your ship is in CONUS, you will use the nearest naval supply center (NSC).

NAVRESSO/Fleet Assistance Representatives

Whenever you have problems in the procurement of certain stock items, NAVRESSO will provide assistance to you upon request. You should submit a purchase order for money value only. NAVRESSO will take procurement action along any lines you request and will forward the desired materials to your ship.

You can also acquire technical guidance from NAVRESSO's fleet assistance representatives. Upon request, the master and senior chief petty officers NAVRESSO has positioned in port areas will provide you with technical assistance for your own procurement operations. As mentioned earlier, you can acquire NAVRESSO assistance by telephone, by desk visits to the fleet assistance office in your area, or by a written request for an advisory visit to be made to your ship.

You should consult your NAVSUP P-487 for a complete listing of fleet assistance offices and their locations. You should submit any written requests for assistance by following the procedures listed in NAVSUP P-487 and the instructions of your ship (or local command).

SHIP'S DEPLOYMENT

The next major factor you should consider in stocking the ship's store is the operational schedule of your ship. You should carefully anticipate the length of deployment, the area of operation, holiday seasons, the weather in the area, and other considerations before your ship actually departs from its home port. Normally, you can use past experience to prepare for a deployment. A 90-day supply of stock will usually be adequate.

Under special operating conditions or emergency deployment, stock increases are usually necessary for the following categories.

- Confection and food products
- Fountain supplies, if applicable
- Smoking products and accessories
- Stationery supplies

- Barber, laundry, dry-cleaning, and tailor supplies as required
- Sundries
- Toiletries
- Vending machine supplies

When your ship is deployed to an overseas area, you can increase your inventory in an amount necessary to stock sufficient quantities of deployed load items, as listed in your *Consolidated Afloat Requisitioning Guide Overseas* (CARGO).

As mentioned earlier, when your inventory limitation is increased, as authorized by special operating conditions or by deployment, you must forward a letter report to NAVRESSO, with a copy to the type commander. The report must contain the following information.

- Monetary value of the increase
- Reason for the increase
- The period for which the increase is taken
- Number of personnel on board

The increase should be included in the inventory control records in the Authorized Increase column. Remember, your inventories will generally be maintained at the prescribed levels unless an increase is otherwise authorized in support of the operational needs of your ship. For additional information on authorized increases, consult your NAVSUP P-487.

PROCUREMENT RESOURCES AND METHODS FOR SHIP'S STORE STOCK

In previous sections, you have read how to determine what merchandise is authorized, how to maintain effective control of stock, and how to use various resources including technical assistance to help you decide what to order. Once you have made those decisions, your problem then becomes one of deciding how and from what source you should procure the merchandise desired.

As a senior Ship's Serviceman, you will be expected to assist the ship's store officer

to choose the appropriate source of procurement—the source from which the desired merchandise will be available and accessible. Figure 4-4 provides a chart of procurement sources along with the merchandise available from those sources, the documents to be used, and the methods of payment. There are three primary procurement sources for ship's store items in the United States.

SHIP'S STORE CONTRACT BULLETINS

You can use the *Ship's Store Contract Bulletin* for your area to fulfill almost all requirements for ship's store stock items for use within the continental United States and Hawaii. You will find local sources and fixed prices for authorized items of ship's store stock indicated in the *Contract*

SOURCE	DOCUMENT	MERCHANDISE	BILLS PAID BY
Contract Bulletin	DD 1155 Deliver Order	Necessities; Basic items; Cost items. U.S. only	FAADCLANT or FAADCPAC as appropriate
Ship's Store Afloat Catalog	DD 1155 Purchase Order	Luxury items; semi-luxury items.	FAADCLANT or FAADCPAC as appropriate
Ashore supply activities (NSC/NED)	DD 1348 (4 PT)	Navy clothing; some cost items; some recessary items (West-Pac only).	No Payment—transfer between supply officers.
Other ships (Excess stock)	DD 1348 (6 PT) DD 1149	Any items agreeable to both parties.	No Payment—Transfer between supply officers.
Resupply sources (AOEs/AFs/AORs)	Prescribed by SERVFORCOM	Some necessity items.	No Payment—Transfer between supply officers.
Overseas Contract Bulletin	DD 1155	Foreign merchandise	As directed by SERVFORCOM.
Navy Exchange	DD 1155 Purchase Order	Any authorized items when other sources unavailable; Foreign merchandise is West-Pac.	Appropriate FAADC
Civilian Market	DD 1155	Any authorized item not available in SSAC, contract bulletins, or ashore supply activity.	Appropriate FAADC
Other Appropriations	DD 1149	Any authorized items	No Payment—Transfer between appropriations.

Figure 4-4.—Merchandise procurement resources and methods.

Bulletin. By using the *Contract Bulletin*, you can place orders directly with a vendor. You should use an Order for Supplies or Services/Request for Quotations (DD 1155) as the purchase order.

When you are placing oral orders for ship's store stock, the DD 1155 must be prepared and signed before you release the purchase order number to the vendor. For correct procedures on copy distribution, check your NAVSUP P-487. Remember, Fast Pay or Certificate of Conformance procedures apply to orders placed under any contract awarded by the Navy Resale and Services Support Office.

SHIP'S STORE AFLOAT CATALOG

You can fill most requirements for non-necessity luxury items by using the *Ship's Store Afloat Catalog* (SSAC). This catalog, which is issued by the Navy Resale and Services Support Office, contains descriptions and purchase information for authorized items of ship's store stock. The *Ship's Store Afloat Catalog* is provided for use in the purchase of stocks by ships that are operating ship's stores. You should use the Order for Supplies or Services/Request for Quotations (DD 1155) as a purchase order, and you must not exceed \$10,000 per purchase order.

When you are processing merchandise through the SSAC, you should prepare the DD 1155 just as though you were procuring merchandise through the *Ship's Store Contract Bulletin*. Your purchase orders must be issued directly to the vendors who are listed in the SSAC. When you are placing oral orders, your DD 1155s should be prepared and signed before you release the purchase order numbers to the vendor. Remember, any orders that exceed the specific monetary limit must include the Defense Acquisition Regulation Clause. (Refer to your NAVSUP P-487 for the correct notations and for the current monetary limit.)

During the periods your ship is deployed overseas, you will use the parcel post systems for delivery of any merchandise you order through the SSAC. All merchandise will be subject to parcel post size and weight limitations. (Check your NAVSUP P-485 for the correct up-to-date specifications.)

ASHORE SUPPLY ACTIVITIES

As part of the Navy supply system, ashore supply activities exist to provide supply support

to your ship as well as to other components of the operating forces. You, as a senior Ship's Serviceman, will most likely come into contact with an ashore supply activity when you are procuring Navy clothing, standard stock, and laundry supplies for your ship's service activities.

Standard Navy Clothing

Normally, Navy clothing is the only ship's store merchandise you will procure from an ashore supply activity located in the United States. The number of requisitions that you will submit to the local naval supply center or depot for your ship's store will depend primarily on the range and depth of Navy clothing items that you are required to stock. The quantity of Navy clothing to be carried on your ship is usually specified by fleet or type commander directives. The quantity may also depend on your ship's schedule, its proximity to ashore clothing outlets, and the desires of the commanding officer. You should submit requisitions according to military standard requisitioning and issues procedures (MILSTRIP). You can find detailed instructions on the preparation of a DD 1348 in your NAVSUP P-487 and also in the *Ship's Serviceman 3 & 2*, module 2. Since this type of procurement is considered to be a transfer between supply officers, there is no payment procedure as such.

Unusual Sizes of Navy Clothing

Unusual sizes of Navy clothing items are those sizes that are not listed in the *Afloat Shopping Guide* (ASG). You should special order such clothing or footwear from the nearest supply activity. The appropriate documents for this type of procurement are the Armed Forces Measurement Blank (Special Sized Clothing for Men) (DD 358) and the Special Measurement Blank for Special Measurement/Orthopedic Boots and Shoes (DD 150). Your ship will receive special ordered clothing directly from the Defense Personnel Support Center or the Defense Orthopedic Footwear Clinic.

In addition to the primary sources, there are a number of methods and resources you can use to procure stock for your ship's store. A few of these methods and sources are discussed below.

TRANSFERS

You can procure ship's store merchandise either by purchase from a commercial source or

by transfer. A transfer of stock takes place whenever you submit a requisition to an ashore supply activity, another naval vessel or supply officer, another military organization, another government agency, or another department or section of your own ship.

From Other Supply Officers

In procuring ship's store stock, you can requisition authorized items of ship's store stock from another supply officer. The stock may be available to your ship for a variety of reasons. Often, a ship may order a ship's store item for several ships, including yours, to meet the minimum order requirements of the vendor or to get the lowest price offered. For example, a ship may order 200 cigarette lighters with division insignia with the intention of transferring 50 of the lighters to each of the other three ships in the division. You can accomplish a transfer of stock to your ship's store by preparing and submitting a DD 1348 following procedures described in the MILSTRIP or a DD 1155 following procedures described in NAVSUP P-487.

From Excess Stock Lists

Afloat commanders or supply activities in certain areas publish lists of excess ship's store stock on ships within their command or area. If an item you desire is on such a list, you should prepare a requisition against the list as your first procurement action. You should always try to acquire ship's store stock from the excess stock lists before you attempt any other method of procurement. The procurement of excess stock is accomplished as a transfer between supply officers.

From Resupply Sources

When your ship is deployed for an extended period, various other sources of procurement may be available to you. While you can use the SSAC anywhere in the world for procurement of ship's store stock, you should remember that delivery from *Contract Bulletin* suppliers will be limited to the coast and zone specified by the area contract bulletin. Some of the items supplied from the contract bulletins are deployed load items which are stocked in sufficient quantities to last the duration of the deployment before the ship actually departs for overseas. However, if additional load items are needed while the ship is

deployed, the items are available from fleet issue ships. You should submit requisitions to resupply afloat sources by following fleet or force commander instructions. Generally, you should submit the requisitions in message format. You can find details on availability of various stock items in your *Consolidated Afloat Requisitioning Guide Overseas* (CARGO). The procurement action takes place as a transfer.

From Other Appropriations

Certain items normally carried in Other Appropriations aboard ship are authorized for ship's store stock. Occasionally, you may require these items when normal ship's store supply sources are unavailable. Some examples are CO₂ gas (operating target [OPTAR]), padlocks (OPTAR), and canned fruit juices (general mess). Such items may be transferred to the Navy Stock Fund on a DD 1149 (Requisition and Invoice/Shipping Document). Procurement of the stock takes place as a transfer between appropriations. For current details on the preparation and submission of the DD 1149, you should consult your NAVSUP P-487.

From Other Departments Aboard Ship

Occasionally, you may wish to procure ship's store stock from the enlisted dining facility. For example, you can obtain food items you require for the preparation of fountain products from the enlisted dining facility (general mess). You should use a Requisition and Invoice/Shipping Document (DD 1149) for this transaction. Check your NAVSUP P-487 for details for preparing and submitting this document. The procurement action takes place in the form of a transfer between departments.

PURCHASES

If you can not acquire ship's store merchandise by transfer, you must then consider procurement by purchase. In addition to the resources discussed earlier in this chapter, the following sections will provide you with some resources, methods, and considerations you may wish to use in the procurement of ship's store merchandise by purchase.

Overseas Contract Bulletins

As was mentioned earlier, ships may use contract bulletins prepared by Navy purchasing

offices overseas. The bulletins themselves are similar in appearance to the SSAC with illustrations and specifications shown for most of the merchandise. Orders should be prepared and submitted in exactly the same manner as they are for merchandise ordered through the U.S. area contract bulletins. Delivery will be made by the vendor directly to the ship or pier. Dealers' bills should be paid according to instructions provided by the fleet or force commander.

Simplified Requisition and Purchase Procedure

Occasionally, you may find that an item you desire for your ship is not listed in either the *Contract Bulletin* or the SSAC. The item maybe something that a crew member has requested or a new product that a vendor has brought to your attention. As long as the item has been authorized for ship's store stock, and the purchase value does not exceed \$10,000 or the current unit cost limitation, you can procure the item for the ship's store.

You must prepare an Order for Supplies or Services/Request for Quotations (DD 1155) for this stock instead of the Requisition and Invoice/Shipping Document (DD 1149). (Your NAVSUP P-487 gives specific information on the preparation and submission of the DD 1155.) You must then submit the DD 1155 to the nearest Navy Resale and Services Support Office fleet assistance team for screening and processing. The purchasing department of the supply activity will then negotiate a contract by completing the DD 1155 and by having the merchandise shipped to your ship or made available for your pickup. You should not use this procedure if a similar and acceptable item is available to You in the official procurement publications.

Navy Exchanges

When the procurement sources discussed earlier are not available to you, you can purchase limited quantities of authorized items of ship's store stock from Navy exchanges. You should use an Order for Supplies or Services/Request for Quotations (DD 1155) for this type of transaction. On the DD 1155, you must cite the paragraph number listed in your NAVSUP P-487 in the block labeled Contract No. Purchases from Navy

exchanges should be taken up as Receipts from Purchase on all applicable records. Bills rendered by the Navy exchanges must be certified as to receipt and acceptance of material in the same manner as commercial dealers' bills. Refer to your NAVSUP P-487 for details on the document distribution and payment procedures for this type of purchase. You should also refer to your NAVSUP P-487 for additional details on procedures you can use to procure foreign merchandise through your Navy exchange.

Cash Purchases

Under emergency conditions and when the suppliers will not accept the Order for Supplies or Services/Request for Quotations (DD 1155), the imprest fund may be used to purchase cost of operations items such as buttons and zippers. Your use of the imprest fund must be in accordance with your NAVSUP P-485. Procurement procedures for cash purchases are outlined in your NAVSUP P-487. You should consult both publications before you take any procurement action for this type of purchase.

Open Purchase

As a general rule, you should NEVER use this procurement method. Supply management inspections (SMIs) are continually uncovering discrepancies associated with the misuse of the open purchase method. You must avoid the open purchase method of procurement for ship's store stock except in cases of emergency as defined in the NAVSUP P-487. If you attempt to use this procurement method outside the guidelines set forth in NAVSUP P-487, you will eventually get caught by an SMI audit. Illegal use of the open purchase method for procurement of ship's store stock is simply a risk you cannot afford to take.

Dealing with Sales Representatives

Most vendors listed in the *Contract Bulletin* (and many who are not listed) have sales representatives who visit the various ship's store offices during in-port periods. The first three people you will see on your quarterdeck when you return to port will usually be ship's store sales representatives. When, if, and how your office chooses to deal with commercial salespersons will

be up to the ship's store officer and often the leading Ship's Serviceman.

Good sales representatives can assist you greatly in the submitting of orders and the timely delivery of merchandise. When you are getting underway on a few hours' notice, having contacts with the right sales representatives can be crucial. Salespeople can also introduce you to new items on the market that may indeed be an asset to your ship's store.

Other commercial sales representatives, however, may not be quite so helpful. They may try to sell you overpriced merchandise of poor quality. They may load your desk with free samples and offer kickbacks as an inducement for you to buy. They may even try to influence you with name-dropping of respected persons or organizations. Representatives may offer to wine and dine you on the beach and provide you with various other pleasures to create an obligation on your part.

POLICY.— Just what can you do to avoid problems with commercial salespersons? Well, your office could just choose to avoid sales representatives. However, this would mean a sacrifice of the benefits for the ship's store that might have resulted if your ship's store officer had chosen to deal with commercial representatives. Perhaps your office should set aside a certain date and time in which the ship's store officer, the Ship's Serviceman in charge of procurement, or you, the leading Ship's Serviceman, might see the sales representatives. Make this time known to the quarterdeck and to the sales representatives themselves. This method would prevent continual interruptions of your other duties. Also, be particularly careful when you are procuring merchandise, especially luxury-type merchandise, that is unlisted in the bulletins or catalogs. Use your official publications for determining the requirements for luxury items. Above all, don't accept gifts or favors.

STANDARDS OF CONDUCT.— The Department of Defense directive that sets forth the standards of conduct applicable to Department of Defense (DOD) personnel strictly prohibits Navy personnel from accepting (either directly or indirectly) any favors, gratuities, or entertainment from persons, firms, or corporations with whom they do business whenever the favors, gratuities,

or entertainment could possibly be interpreted as an influence on objectivity and impartiality of DOD personnel. You can find the DOD Standards of Conduct in the appendixes of this RTM, in your NAVSUP P-487, and in *Ship's Serviceman 3 & 2*, module 1, appendix 1. You must comply with the Standards of Conduct at all times whenever you are dealing with commercial sales representatives. In addition, firm policy should be established by your ship's store officer in regard to dealing with commercial salespersons. You should make yourself aware of this policy.

AUDITING PROCUREMENT RECORDS

As was mentioned in chapter 3 of this training manual, one of the primary responsibilities of the senior Ship's Serviceman is assisting the ship's store officer in an audit of the ship's store records and returns. It is important for you to audit periodically rather than just at the end of the quarter. Therefore, you should frequently review all procurement documents for accuracy, proper format, and correct distribution.

PURCHASE OPERATION REVIEWS

A review of the purchase operation of each activity that has been given purchase authority must take place at least every 18 months. The review should be conducted by the cognizant type commander; the Commander, Construction Battalion, U.S. Atlantic Fleet; or the Commander, Construction Battalion, U.S. Pacific Fleet. The reviewer must make certain that proper purchase procedures and practices have been followed. The reviewer also provides guidance and assistance as needed. The reviews can be a part of your regularly scheduled supply management inspections (SMIs).

PROCUREMENT DOCUMENT REVIEWS

In your career as a Ship's Serviceman, you have probably encountered the foul-ups that result when someone fails to take the time and effort to prepare a procurement document correctly.

Many of the errors that occur on procurement documents and the hassles that result from these errors can be avoided. However, whenever errors do appear, you, as a senior Ship's Serviceman and as an auditor, must be able to spot them, to correct them, or to bring them to the attention of someone else who will resolve any confusion.

As an auditor, you should establish a system for checking the format of the information contained in a procurement document with that indicated in the procurement catalog or bulletin or in your official publications. You can find the detailed steps for preparing procurement documents in the *Ship's Serviceman 3 & 2*, module 2, and in your current NAVSUP P-487.

INSERT SERVICE DESIGNATOR.

ASSIGNED FROM PURCHASE ORDER LOG.

CHECK TO SEE IF FAST PAY PROCEDURES APPLY.

NEED NOT BE SHOWN; MAY BE USED FOR INTERNAL PURPOSES.

INSERT SHIP'S UNIT IDENTIFICATION CODE.

ACTUAL QUANTITY RECEIVED CIRCLED BY BULK CUSTODIAN.

STAMPED AND SIGNED UPON RECEIPT BY BULK STOREROOM CUSTODIAN.

ZONE MUST BE SHOWN TO INDICATE AREA OF DELIVERY.

IDENTIFY ITEM BY PROPER NUMBER AS IT IS LISTED IN THE CONTRACT BULLETIN.

SIGNED RECEIPT DOCUMENT WILL BE EXTENDED, COMPARED AND PLACED IN SHIP'S STORE OFFICER'S ACCOUNTABILITY FILE.

DD FORM 1155

Figure 4-5.—Auditing a procurement document.

Figure 4-5 shows several of the checks you should make when you are reviewing a standard procurement document. In some cases, you will be required to use a somewhat different format or an additional statement on the procurement document. For example, you must include a specific statement on all special orders. If you are preparing a DD 1155 and the value of the stock is over a certain monetary limit, you must include another statement to that effect. You must also place specific statements on all purchase orders covering items that you procure on a guaranteed sales basis. Similarly, when you are preparing documents for bonus-free items, you must make certain that applicable statements appear on the procurement documents. Also, when you are using the simplified requisition and purchase procedure, the format of the purchase order will be different from that of your regular DD 1155.

You, as a senior Ship's Serviceman, must be alert for all variations in the procurement documents used for your ship's store. Whenever

possible, you should also make the recordskeeper aware of these variations.

DISTRIBUTION

You can find the correct distribution of the original and copies of a procurement document in the NAVSUP P-487 and in the appendixes of this rate training manual. As an auditor, you should frequently check to see if proper distribution is being accomplished, especially at the time the procurement documents are submitted to the vendor or to the supply activity. (These supply sources must have the correct number of copies to complete your order.) One copy should always be routed to the receiving storekeeper for the storekeeper's incoming material file.

MAINTENANCE OF LOGS

Finally, you should guarantee that all procurement documents are logged to the requisition log (figure 4-6) or to the purchase order log

DATE	SERIAL	SOURCE	AMOUNT	RECEIPT NO.	DATE RECEIVED
-276	9950	USS CORAL SEA (CVA-43)	\$ 474.00	1	10-3
-327	9951	RECEIPT FROM GSK	5.00	1	12-23
-357	9952	NSC CHARLESTON	1,080.00	6	12-23
-012	9953	NSC CHARLESTON	7,193.95	8	1-13
	9954				
	9955				
	9956				
	9957				
	9958				
	9959				

NOTE: RECEIPTS FROM GSK AND EDF ARE NOT ASSIGNED A RECEIPT NUMBER.

Figure 4-6.—Requisition log.

figure 4-7). At the time of purchase, the purchase order log should contain the date of the order, the serial number, the source, and the approximate dollar value, as shown in figure 4-7. The logs are helpful only as long as postings are made promptly and accurately. The Amount column will be extremely helpful to you when you need to determine the value of outstanding orders for posting to the inventory control record. Note the difference between the two date columns in figure 4-6 and 4-7. The first date represents the date of the order; that is, the date the order was placed or made. The date received column represents the date the stock was actually received by your ship. The logs will also assist you in checking outstanding and completed orders. Consult your NAVSUP P-487 for additional examples of these important logs.

PROCUREMENT OF EQUIPMENT AND OPERATING SUPPLIES

As a senior Ship's Serviceman, you will be involved in the procurement of equipment and operating supplies. Each of these areas is outlined in your *Ship's Serviceman 3 & 2*. You can also find detailed instructions for procurement of ship's store equipment and supplies in the NAVSUP P-487. The following sections are presented only as an overview.

MAJOR EQUIPMENT

The equipment that may be required aboard ship for the resale and service activities is classified according to value as either major or minor equipment. Major equipment has a value greater than \$100. One group of major equipment includes all major laundry equipment, barber chairs, cash registers, and similar items. These are allowance list items. They are controlled by the Naval Sea Systems Command (NAVSEA) and funded by the ship's OPTAR. Ship's store profits should not be used for these items. The requisitions for this type of equipment or the letter requests stating that an item of this type be added to the allowance list should be forwarded to NAVSEA via the type commander, NAVRESSO, and NAVSUP.

The second group of major equipment includes soft ice cream machines, vending machines, popcorn machines, amusement machines, and related items such as coin changers and coin counting devices. When you are ordering a new machine of the second group of major equipment,

you must take certain preliminary steps. First, you are authorized to order only machines of the types specified by your fleet commander. Second, you must request the authority from NAVSEA for the initial installation or replacement of a machine with a machine of a greater weight. After you receive approval from NAVSEA, you must send a letter requesting procurement to NAVRESSO. You must make certain the letter contains the detailed information specified in NAVSUP P-487. You should send directly to NAVRESSO any requests you might have for replacement machines that weigh the same or less than the original machine.

The procurement of machines in the second group of major equipment is funded by Ship's Store Profits, Navy (17X8723). If profits are considered to be insufficient, you can obtain a "no interest" loan from NAVRESSO to offset the costs of the machine. Normally, you will be required to make loan repayments within three or five accounting periods, depending upon the size of your ship.

MINOR EQUIPMENT, OPERATING SUPPLIES, AND SERVICES

As a member of the supply department, you will be required to stand supply department watches. To perform this duty properly, you must understand certain functions of supply that go beyond your rating and you must be capable of performing these functions. As the duty supply representative, you may be called upon in emergencies to perform a variety of jobs from the issuing of a repair part to the preparing of a requisition. In this section, the various methods and sources of procurement are briefly discussed. You should consult your NAVSUP P-485 (*Afloat Supply Procedures*) and the current editions of *Storekeeper 3 & 2* and *Storekeeper 1 & C* for detailed information.

Procurement Methods

There are three basic methods by which a ship may procure the supplies and services that it requires.

1. By submission of a requisition to an ashore supply activity
2. By submission of a requisition to another ship
3. By purchase from a commercial contractor

DATE	SERIAL	SOURCE	AMOUNT	REC'T NO.	DATE MAT'L REC'D	DATE FWD PMT	PAYING ACT'Y	STOCK OR SPECIAL ORDER
-287	9700	SINGLETERY SWEET SHOP	\$ 413.95	2	10-17	10-17	FAADC	STOCK
-295	9701	LAUNDRY SUPPLY CO.	406.11	4	11-26	FAST PAY	FAADC	STOCK
-303	9702	C. LLOYD JOHNSON	11,506.11	7	12-30	FAST PAY	FAADC	STOCK
-306	9703	S & K SALES	736.29	3	11-8	11-8	FAADC	SPECIAL ORDER
-319	9704	COCA-COLA CO.	7,107.15	5	11-30	FAST PAY	FAADC	STOCK
-355	9705	LANE CO.	376.42	10	1-24	1-24	FAADC	STOCK
-012	9706	STANLEY BROS.	438.46	9	1-19	FAST PAY	FAADC	SPECIAL ORDER
-022	9707	BAZAAR CO.	3,011.82	11	1-29	FAST PAY	FAADC	STOCK
	9708							
	9709							
	9710							

79.59

Figure 4-7.—Purchase order log.

You can establish almost all of your requirements for operating supplies by submitting a requisition to an ashore supply activity which will either furnish the material or forward your request to the appropriate activity for action. In addition, you can submit requisitions to other ships when your ship is deployed for extended periods at sea.

Just as in the procurement of ship's store stock, you can also procure provisions, supplies, and services as a purchase from a commercial contractor. You will generally not use commercial contractors for purchasing general stores material and services.

You can find detailed instructions concerning MILSTRIP for the preparation of a DD 1348 (DOD Single Line Item Requisition System Document) and the procedures for preparing a purchase document in your NAVSUP P-485 and in rate training manuals *Storekeeper 3 & 2* and *Ship's Serviceman 3 & 2*, module 2.

Procurement Sources

Within United States waters, procurement of supplies by ships will normally be accomplished via the nearest naval supply center, supply depot, or supply activity. Only when there is no shore activity available to obtain material for immediate operation can a supply officer obtain material (other than ship's store stock) by purchase from commercial sources within U.S. waters.

When ships are deployed, the normal source of supply is the mobile logistics support force (MLSF). You can find specific requisitioning information for this procurement resource in the Atlantic and Pacific Fleet requisitioning guides. Also, you should carefully observe any instructions by fleet commanders.

During visits to foreign ports, you can acquire limited support and emergency support from the naval activities located in that vicinity. In addition, your ship's purchase authority is expanded in foreign ports for the procurement of certain indigenous support and port services as required.

If you are on a ship without a Supply Corps officer assigned, you can obtain effective stock control by adhering to the stock limits prescribed

[illegible]

24.22

without Supply Corps officers are authorized to carry confections, tobacco products, stationery supplies, sundries, and toiletries. The quantity specified opposite each item on the authorized list represents the maximum stock that you should carry at any given time for 100 people for 90 days. You should compute the maximum stock that is authorized for your ship based upon the number of persons to be served by the ship's store.

You should maintain Stock Tally (NAVSUP 209) cards as shown in figure 4-8 rather than Stock Record (NAVSUP 464) cards for every item of stock you carry. You should make a monthly review of all such cards. For each item, the normal amount you should order at any time is the difference between the balance on hand and the carrying (high) limit plus the number on hand you estimate will be sold before the new order is delivered. Whenever operations permit, you should try to accomplish this type of stock replenishment at least monthly.

If you are on an extended cruise and your ship does not have a Navy Postal Clerk aboard, you may sell postage stamps in the ship's store. You must sell these stamps at cost price. Procure postage stamps only in the quantities you need to cover anticipated sales for the period of time in which your ship will not have U.S. Postal Service facilities available.

On ships without Supply Corps officers, authorized items of ship's store stock can generally be procured by any of the methods used for ships with Supply Corps officers with the exception of Other Appropriations. (The category Other Appropriations generally involves transfers from the general mess, general stores, other government departments, or the Marine Corps.) As mentioned previously, foreign merchandise that appears in overseas contract bulletins may be special ordered by the submitting of a requisition to a ship carrying the desired item in stock or to the nearest purchasing activity ashore.

Requisitions for ship's store stock should be numbered and prepared according to NAVSUP P-485. Such requisitions should be submitted on a DOD Single Line Item Requisition System Document (DD 1348) or a DOD Single Line Item Release/Receipt Document (DD 1348-1). When the use of one of these forms as a single line item requisition is considered to be inappropriate, a Requisition and Invoice/Shipping Document (DD 1149) should be used.

On ships without Supply Corps officers, only one file is maintained for all outstanding ship's store stock requisitions and purchase orders. Also, only one requisition/receipt invoice log is maintained, rather than two separate logs. Refer to figure 4-9 as an example of how this

REQUISITION		SUBMITTED TO:	DATE RECEIVED	RECEIPT INVOICE NUMBER	FORWARDED TO FAADC-LANT OR FAADCPAC, AS APPROPRIATE, WITH VOUCHERS FOR MONTH ENDING:
NUMBER	DATE				
122-9700	5/2/-	USS LAWRENCE	5/4/-	12-7-	May 19-

THIS COLUMN SERVES AS A CHECK-OFF LIST TO ENSURE THAT ALL RECEIPT VOUCHERS ARE FORWARDED TO FAADC-LANT OR FAADCPAC, AS APPROPRIATE.

Figure 4-9.—Requisition/receipt invoice log.

comprehensive log is used. Refer also to your NAVSUP P-487 for additional details.

Just as with all of the other broad responsibilities you will acquire as a senior Ship's Serviceman, you will find that your duties associated with the procurement of merchandise, supplies, equipment, and services will be essentially continuous. Remember, all your procurement responsibilities will overlap—from the maintenance of accurate records to the ordering of stock items, supplies, and services. You must understand the magnitude of these duties, for you

will be handling not only the ship's funds but also the well-being of your organization and of every crew member on board your ship. Your best efforts to maintain optimum stock levels and accurate records, to obtain the goods and services required by your ship's personnel, and to provide a well-organized ship's store and service operation will pay off in terms of increased customer satisfaction, greater financial accountability, and fewer hassles from discrepancies and special audits. You will also experience the self-satisfaction of having successfully accomplished a very demanding and complicated job.